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USDA FOR FAS/ITP - SHEIKH
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SUBJECT: Rural Work Conference Promotes Modernization As
Top Priority; Seeks to Address Imbalances

REF: 06 BEIJING 24338 and previous

SUMMARY

1. (SBU) The annual Rural Work Conference, held in Beijing December 22-23 2006, emphasized that modernization, including agricultural technology, rural finance reform, and energy efficiency, will be one of the Central Government's top priorities in the coming year. The conference also aimed to address economic imbalances by expanding basic social welfare to provide subsistence allowances in poor regions, which a researcher at the China Academy of Social Sciences said will be particularly important in Western and Central China. END SUMMARY.

MODERNIZATION KEY TO NEW COUNTRYSIDE

2. (U) Reiterating that the Central Government's New Socialist Countryside policy will be a long-term endeavor, participants at the Rural Work Conference, chaired by Vice Premier Hui Liangyu, committed to increasing financial support for rural areas in 2007. According to media reports, the conference focused on the importance of rural sector modernization, including promoting agricultural technology, reforming rural finance, and encouraging energy efficiency. A December 24 editorial in the government-controlled Chinese-language People's Daily (Renmin Ribao) characterized modernization as the most important task in building the New Socialist Countryside.

3. (SBU) Observers noted that the Rural Work Conference's modernization goal sets the tone for the Central Government's rural policy in 2007. Xu Xiaoqing, Deputy Director of the Department for Rural Development at the Development Research Center of the State Council (DRC), said that he expects rural policy, with an emphasis on rural sector modernization, to be the focus of the Number One Document for the fourth consecutive year when it is published later this year.

4. (SBU) Du Xiaoshan, Deputy Director of the Rural Development Institute at the China Academy of Social

Sciences (CASS) agreed, adding that reforming rural financial institutions is especially important at this stage of China's rural development. With more rural residents seeking capital to improve agricultural technology or pursue non-farm income through small business pursuits, modernization must include rural finance, he said. Min Tang, Chief Economist at the Asian Development Bank, noted that rural finance will be a key component of the upcoming National Financial Work Conference.

RURAL SOCIAL WELFARE AND THE HARMONIOUS SOCIETY

15. (U) The Rural Work Conference also announced that a basic social welfare program would be expanded to cover all rural residents with an income of RMB 700 (approximately USD 90) or lower, a population estimated to be 23.7 million people. Known as the Basic Guarantee (dibao), the program has existed in urban areas for many years and already has been instituted by several provincial governments (most notably Shandong Province in Coastal China) in the countryside. The Rural Work Conference committed to launching the program nationally with the aim of narrowing the urban-rural income gap as well as regional gaps.

16. (SBU) Du told Econoff that the program is a good example of the cities supporting the development of the countryside, and as a Central Government priority, the Basic Guarantee will be critical to development in Western and, to a lesser extent, Central China. He noted, however, that the rural Basic Guarantee is modeled after its urban equivalent, and he expressed some concern that the income thresholds and dibao subsidies vary widely by region and locality. He said, for example, that due to the higher cost of living in

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cities, urban social welfare covers residents whose income is many times greater than the lowest rural incomes. Du said he hopes urban-rural inequalities in the Basic Guarantee system will be addressed.

17. (U) In addition to the Basic Guarantee, the Rural Work Conference also reaffirmed the Central Government's support for increasing funding for education and health care in rural areas in 2007, both of which are priorities under the New Socialist Countryside (see reftels).

RANDT